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RR RUEHFK RUEHKS RUEHNAG RUEHNH
DE RUEHFK #0010 0520931
ZNR UUUUU ZZH
R 210931Z FEB 06
FM AMCONSUL FUKUOKA
TO RUEHC/SECSTATE WASHDC 0165
RUEHKO/AMEMBASSY TOKYO 0171
INFO RUEHKS/AMCONSUL SAPPORO 0068
RUEHOK/AMCONSUL OSAKA KOBE 0076
RUEHNAG/AMCONSUL NAGOYA 0067
RUEHNH/AMCONSUL NAHA 0070
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHFK/AMCONSUL FUKUOKA 0183

UNCLAS FUKUOKA 000010

SIPDIS

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TOKYO FOR FAS, ATO, ECON

E.O. 12958: N/A

TAGS: [EAGR](#) [ETRD](#) [ECON](#) [PREL](#) [BEXP](#) [JA](#)

SUBJECT: U.S. BEEF: A MUCH TOUGHER SELL IN KYUSHU POST-"HOTEL RACK"

Sensitive But Unclassified - please protect accordingly.

11. (SBU) Widespread negative media coverage of the Beef Export Verification (BEV) agreement violation in January, the Government of Japan's (GOJ) re-imposition of its import ban on U.S. beef, and subsequent political haranguing between the ruling LDP and opposition DPJ parties over the issue have all had a very negative impact on consumer sentiments toward beef in Kyushu. Local contacts in the meat distribution, restaurant, and retail grocery sectors tell post that the recent events have deepened skepticism over the safety of U.S. beef (and beef generally) and fueled public distrust of both countries' respective inspection systems. While core demand remains for inexpensive U.S. beef, particularly by discount restaurant chains, contacts say restoring consumer confidence and recouping market share will likely be a slow and difficult process for U.S. beef exports once trade is resumed a second time.

12. (SBU) Public opinion polls that were conducted just before the beef import ban was lifted in December 2005 indicated that Kyushu region consumers were somewhat more favorably disposed toward purchasing U.S. beef than consumers nationwide. In response to recent events, however, that feeling appears largely to have evaporated in the face of steady, negative media coverage. Industry contacts here privately criticize the Japanese media for sensationalizing the issue, particularly for characterizing the January BEV violation as a food safety risk when in fact it was not. Unfortunately, such technical distinctions are generally lost on many local consumers, who appear inclined to conclude from this and subsequent events (i.e., problems identified in the USDA OIG report, critical DPJ comments after visiting a U.S. processing plant, etc.) that USG commitments on beef processing, and the resulting safety of the product, cannot be relied on. Contacts tell us that this image problem has been compounded by the DPJ's use of the beef issue to take political swipes at the Koizumi government and by the LDP's somewhat ham-handed responses. Taking place amidst the backdrop of domestic food labeling scandals in recent years as well as Japan's own continuing BSE cases, such politicking serves to stoke public fears and cynicism about the trustworthiness of both the GOJ's and USG's food safety regimes.

13. (SBU) On the positive side, the manager of a major Fukuoka meat distributor told post that core demand for inexpensive U.S. beef by some major users, in particular discount restaurant chains, should remain fairly solid. Some restaurants are fearful, though, that the recent events and continuing politicization of the beef issue could result in an origin labeling requirement for beef items on menus, which would likely

hurt purveyors of U.S. beef. The manager speculated that supermarket sales of U.S. beef to individual consumers will perhaps be the toughest area after imports resume, in part because identification of national origin is already included on the label. Consumers for whom price is the overriding consideration will continue to buy U.S. beef as before. However, according to industry observers, many Kyushu consumers who took the middle ground, "wait-and-see" approach in the December polling have now likely shifted to the "don't intend to buy" column as a result of the recent problems.

14. (SBU) Many of post's business contacts, who are pro-U.S. overall, privately recommend that U.S. officials be more careful in negotiating the minefield of Japanese public opinion. They say analogies such as comparing BSE risk to traffic accident risk, or the BEV import violation to faulty brakes on Japanese cars, may make sense on a logical level. But these types of comments inevitably backfire in the Japanese mind because they are seen as comparing unrelated issues and because they convey the impression that the U.S. dismisses Japanese hypersensitivity on food safety as overblown or unreasonable. The Fukuoka branch manager of a Japanese meat industry trade journal told post that he understands the importance the U.S. places on food safety. He also regrets that some Japanese media commentators and politicians have mischaracterized the positive steps taken by the USG and GOJ to correct problems and get the beef trade back on track. Even so, he stressed that market recovery and restoration of public confidence in U.S. beef will depend not just on outlining corrective measures, but on a consistent USG public line which emphasizes "respect" for Japan's prickly "safety culture."

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